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**SHIFANG HOLDING LIMITED**

**十方控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1831)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The board of directors (the “Board”) of ShiFang Holding Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013.

The condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s audit committee (the “Audit Committee”).

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

		30 June 2014	31 December 2013
	<i>Note</i>	<i>RMB'000</i> Unaudited	<i>RMB'000</i> Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		51,064	55,146
Intangible assets		19,184	21,466
Interest in an associate	4	59,134	59,993
Prepayments, deposits and other receivables	6	151,391	160,947
		<u>280,773</u>	<u>297,552</u>
<b>Current assets</b>			
Inventories		7,462	6,789
Assets held for sale		43,453	27,492
Trade receivables – net	5	57,207	47,324
Prepayments, deposits and other receivables	6	61,763	92,641
Amounts due from related parties		25,793	19,867
Short-term bank deposits		29,400	50,000
Cash and cash equivalents		36,055	53,911
		<u>261,133</u>	<u>298,024</u>
<b>Total assets</b>		<u><b>541,906</b></u>	<u><b>595,576</b></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		72,687	72,687
Share premium		556,440	556,440
Other reserves		108,279	107,614
Accumulated deficits		(302,815)	(233,880)
		434,591	502,861
Non-controlling interests		7,998	9,804
<b>Total equity</b>		<u><b>442,589</b></u>	<u><b>512,665</b></u>

		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>Unaudited</b>	Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Amount due to a related party		<b>688</b>	–
Deferred income tax liabilities		<b>1,635</b>	2,157
		<u>2,323</u>	<u>2,157</u>
<b>Current liabilities</b>			
Trade payables	7	<b>7,506</b>	6,653
Other payables and accrued expenses		<b>52,423</b>	38,707
Current income tax liabilities		<b>36,763</b>	35,049
Amounts due to related parties		<b>302</b>	345
		<u>96,994</u>	<u>80,754</u>
<b>Total liabilities</b>		<b><u>99,317</u></b>	<b><u>82,911</u></b>
<b>Total equity and liabilities</b>		<b><u>541,906</u></b>	<b><u>595,576</u></b>
<b>Net current assets</b>		<b><u>164,139</u></b>	<b><u>217,270</u></b>
<b>Total assets less current liabilities</b>		<b><u>444,912</u></b>	<b><u>514,822</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2014*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2014</b>	2013
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>Unaudited</b>	Unaudited
<b>Revenue</b>	<i>3</i>	<b>92,220</b>	143,792
Cost of sales	<i>9</i>	<u>(67,234)</u>	<u>(120,473)</u>
<b>Gross profit</b>		<b>24,986</b>	23,319
Selling and marketing expenses	<i>9</i>	<b>(15,983)</b>	(15,222)
General and administrative expenses	<i>9</i>	<b>(68,151)</b>	(86,446)
Other income	<i>8</i>	<b>3,153</b>	2,748
Other (losses)/gain	<i>8</i>	<u>(11,792)</u>	<u>33,664</u>
<b>Operating loss</b>		<b>(67,787)</b>	(41,937)
Finance income	<i>10</i>	<b>741</b>	94
Finance costs	<i>10</i>	<u>–</u>	<u>(1,601)</u>
Finance income/(costs) – net	<i>10</i>	<b>741</b>	(1,507)
Share of (loss)/profit of an associate		<u>(859)</u>	<u>297</u>
<b>Loss before income tax</b>		<b>(67,905)</b>	(43,147)
Income tax expense	<i>11</i>	<u>(2,163)</u>	<u>(12,603)</u>
<b>Loss and total comprehensive loss for the period</b>		<b><u>(70,068)</u></b>	<b><u>(55,750)</u></b>

		<b>Six months ended 30 June</b>	
		<b>2014</b>	2013
<i>Note</i>		<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>Unaudited</b>	Unaudited
<b>(Loss)/profit attributable to:</b>			
	– Equity holders of the Company	<b>(68,270)</b>	(60,849)
	– Non-controlling interests	<b>(1,798)</b>	5,099
		<u><b>(70,068)</b></u>	<u>5,099</u>
		<u><b>(70,068)</b></u>	<u>(55,750)</u>
<b>Total comprehensive (loss)/income attributable to:</b>			
	– Equity holders of the Company	<b>(68,270)</b>	(60,849)
	– Non-controlling interests	<b>(1,798)</b>	5,099
		<u><b>(70,068)</b></u>	<u>5,099</u>
		<u><b>(70,068)</b></u>	<u>(55,750)</u>
Loss per share for loss attributable to equity holders of the Company			
	– Basic (RMB per share)	<i>12</i> <b>(0.0813)</b>	(0.0724)
	– Diluted (RMB per share)	<i>12</i> <b>(0.0813)</b>	(0.0724)
		<u><b>(0.0813)</b></u>	<u>(0.0724)</u>
	Dividend	<i>13</i> <u><b>–</b></u>	<u>–</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1.1 Basis of preparation

This condensed consolidated interim financial information of ShiFang Holding Limited has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group has been reporting net loss since year 2012 and during the six months period ended 30 June 2014, the Group reported a loss for the period of RMB70,068,000 and a net cash outflow from operating activities of RMB30,994,000. Notwithstanding the above, the condensed consolidated interim financial information is prepared on a going concern basis.

The Board of Directors of the Company has reviewed the Group's cash flow projections prepared by management. The projections cover a period of twelve months from the date of approval of this condensed consolidated interim financial information. The projections make key assumptions with regards to the anticipated cash flows from the Group's operations and availability of future borrowing facilities, taking into account the availability of existing borrowing facilities. Based on these cash flow projections, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. The Group's ability to achieve the projected cash flows depends on the management's ability to successfully implement initiatives to improve the Group's cash flows, including measures to control capital expenditure and corporate overhead, investments in new businesses, expedite receipt of cash from settlement of trade and other receivables, realisation of assets held for sale and the availability of the borrowing facilities.

The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operation performance, believe there will be sufficient financial resources available to the Group at least in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

## 1.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (a) New amendments and interpretations to existing standards effective in 2014 but have no significant impact to the Group's results and financial position

IAS 32 (amendment), "Financial instruments: Presentation" on asset and liability offsetting. These amendments are to the application guidance in IAS 32, "Financial instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

IFRS 10, 12 and IAS 27 (amendment), "Consolidation for investment entities". These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

IAS 36 (amendment), "Impairment of assets" on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IAS 39 (amendment), "Financial Instruments: Recognition and Measurement" – "Novation of derivatives". This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

IFRIC 21 "Levies". This is an interpretation of IAS 37, "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The adoption of these new and revised IFRSs has not led to any significant changes in the accounting policies applied in this condensed consolidated interim financial information, and has no material effect on the Group's results and financial position for the current or prior accounting periods reflected in this condensed consolidated interim financial information.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

- (b) New standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization. The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate.

Amendment to IFRS 11 on accounting for acquisitions of interests in joint operation. The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a ‘business’ as defined in IFRS 3, Business combinations.

IAS19 (Amendment), “Defined benefit plans: employee contributions”. This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

IFRS 9 “Financial Instruments”. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 “Classification and Measurement” retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. For financial liabilities designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in other comprehensive income (“OCI”), unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss.

IFRS 9 “Hedge Accounting” applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of IAS 39.

IFRS 14 “Regulatory Deferral Accounts”. IFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. IFRS 14 permits eligible first-time adopters of IFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. IFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.



IFRS 15 “Revenue from Contracts with Customers”. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### **1.3 Estimates**

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2013. In addition to these critical accounting estimates, the Group considered all facts and circumstances of the pending litigation in relations to a fine imposed by the State Administration of Foreign Exchange for certain of its foreign exchange settlement transactions, which requires significant judgements and estimate.

## 2 Segment information

The Executive Directors have been identified as the chief operating decision maker (“CODM”). Management determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM assesses the performance of the Group’s publishing and advertising businesses from both geographic and product perspectives. From a product perspective, management takes into consideration of the economic benefits of publishing and advertising businesses as a whole when executing a centralised assessment of the performance as the CODM considers they are mutually dependent and inseparable. Geographically, management considers the Group’s publishing and advertising businesses activities are included in a single reportable segment in accordance with IFRS 8 “Operating segments”. As such, no segment information is presented.

## 3 Revenue

Revenue from external customers is derived from the provision of newspaper advertising services to advertisers in the PRC, online services, including electronic dissemination of publication and provision of online system development services to newspaper publishers, and the provision of marketing, distribution management, consulting and printing services, television and radio advertising, and outdoor advertising services and activities.

Analysis of the revenue by category is as follows:

	<b>Six months ended 30 June 2014 RMB’000 Unaudited</b>	Six months ended 30 June 2013 RMB’000 Unaudited
Newspaper advertising	<b>68,307</b>	83,455
Online services	<b>1,793</b>	4,677
Marketing, distribution management, consulting and printing services, and outdoor advertising services and activities	<b>20,389</b>	52,752
Television and radio advertising	<b>1,731</b>	2,908
	<b><u>92,220</u></b>	<u>143,792</u>

#### 4 Interest in an associate

	As at 30 June 2014 <i>RMB'000</i> Unaudited	As at 30 June 2013 <i>RMB'000</i> Unaudited
Balance at the beginning of the period	59,993	60,162
Share of post-tax (loss)/profit of an associate	<u>(859)</u>	<u>297</u>
Balance at the end of the period	<u><b>59,134</b></u>	<u><b>60,459</b></u>

As at 30 June 2014, the carrying amount of the Group's interest in an associate of RMB59,134,000 represented its 34% equity interest in Skybroad International Limited ("Skybroad"), including a quasi-equity loan of RMB680,000 to Skybroad, which is unsecured and interest-free. An impairment test was performed by comparing the attributable carrying amount of interest in an associate with the recoverable amount for the six months period ended 30 June 2014. The recoverable amount was based on estimated discounted cash flow. No impairment was recorded.

Skybroad is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in Skybroad.

#### 5 Trade receivables – net

	As at 30 June 2014 <i>RMB'000</i> Unaudited	As at 31 December 2013 <i>RMB'000</i> Audited
Trade receivables	188,498	226,364
Less: provision for impairment of trade receivables	<u>(131,291)</u>	<u>(179,040)</u>
Trade receivables – net	<u><b>57,207</b></u>	<u><b>47,324</b></u>

The payment terms with customers are mainly cash on delivery and on credit. The credit periods range from 30 days to 365 days after end of the month in which the relevant sales occurred. Aging analysis of the Group's trade receivables based on invoice date is as follows:

	<b>As at 30 June 2014 RMB'000 Unaudited</b>	<b>As at 31 December 2013 RMB'000 Audited</b>
1 – 30 days	<b>14,036</b>	17,543
31 – 60 days	<b>9,030</b>	8,170
61 – 90 days	<b>7,694</b>	5,535
91– 365 days	<b>30,811</b>	30,471
Over 1 year	<b>126,927</b>	164,645
	<b>188,498</b>	226,364
<i>Less: provision for impairment on trade receivables</i>	<b>(131,291)</b>	(179,040)
Trade receivables – net	<b>57,207</b>	47,324

The carrying amounts of the Group's trade receivables are denominated in RMB.

As at 30 June 2014, trade receivables of RMB7,757,000 (31 December 2013: RMB7,926,000) were past due but not impaired. These relate to a number of independent customers for whom there are no recent history of defaults and the repayment periods are consistent with the Group's practice.

As at 30 June 2014, trade receivables of RMB131,291,000 (31 December 2013: RMB179,040,000) were impaired and provided for. For the six months ended 30 June 2014, the amount of the reversal of provision credited to the interim condensed consolidated statement of comprehensive income was RMB774,000 (30 June 2013: provision on trade receivable charged was RMB31,421,000).

The provision was made as management has determined that the ability of the debtors to repay the trade receivables has deteriorated. This provision amount was determined in line with the Group's policies and historical practice, where management has reviewed the relevant debtors' current creditworthiness and past payment history.

For the six months ended 30 June 2014, there was no trade receivable directly written-off to the interim condensed consolidated statement of comprehensive income (30 June 2013: Nil).

## 6 Prepayments, deposits and other receivables

	As at 30 June 2014 <i>RMB'000</i> Unaudited	As at 31 December 2013 <i>RMB'000</i> Audited
<u>Non current portion</u>		
Prepayment for long term investments	173,000	173,000
Prepayment for acquisition of a property	6,694	–
Deposits to newspaper publishers	92,000	92,000
Deposits for marketing and promotion projects	–	16,250
	<u>271,694</u>	<u>281,250</u>
<i>Less: provisions for impairment (note (i))</i>	<u>(120,303)</u>	<u>(120,303)</u>
Prepayments, deposits and other receivables – net	<u><u>151,391</u></u>	<u><u>160,947</u></u>
<u>Current portion</u>		
Deposits for marketing and promotion projects	33,750	33,750
Prepayment for outdoor advertising projects	17,388	18,497
Prepayments	241,719	239,934
Deposits and other receivables	51,124	60,678
Receivable from Yueyang City Intermediate People's Court	22,000	22,000
	<u>365,981</u>	<u>374,859</u>
<i>Less: provisions for impairment (note (i))</i>	<u>(304,218)</u>	<u>(282,218)</u>
Prepayments, deposits and other receivables – net	<u><u>61,763</u></u>	<u><u>92,641</u></u>

(i) **Provisions for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables**

Carrying values before provisions for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables as at 30 June 2014 were as follows:

	<b>Shenyang Evening News RMB'000</b>	<b>Outdoor advertising projects RMB'000</b>	<b>Yueyang City Intermediate People's Court RMB'000</b>	<b>Three metropolitan newspaper publishers RMB'000</b>	<b>Total RMB'000</b>
Long term investments	–	–	–	173,000	173,000
Long term deposits	–	–	–	92,000	92,000
Prepayments	33,780	17,388	–	201,501	252,669
Deposits and other receivables	10,000	–	22,000	23,937	55,937
Balance as at 30 June 2014	<u>43,780</u>	<u>17,388</u>	<u>22,000</u>	<u>490,438</u>	<u>573,606</u>

Provisions for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables included provisions for exclusive cooperative newspaper publishers of RMB345,741,000, Shenyang Evening News of RMB43,780,000, outdoor advertising projects of RMB13,000,000 and Yueyang City Intermediate People's Court of RMB22,000,000. Movements of the provisions for impairment were as follows:

	<b>Shenyang Evening News RMB'000</b>	<b>Outdoor advertising projects RMB'000</b>	<b>Yueyang City Intermediate People's Court RMB'000</b>	<b>Three metropolitan newspaper publishers RMB'000</b>	<b>Total RMB'000</b>
Balance as at 1 January 2014	43,780	13,000	–	345,741	402,521
Provisions for impairment during the period	<u>–</u>	<u>–</u>	<u>22,000</u>	<u>–</u>	<u>22,000</u>
Balance as at 30 June 2014	<u>43,780</u>	<u>13,000</u>	<u>22,000</u>	<u>345,741</u>	<u>424,521</u>

(a) *Shenyang Evening News*

As at 31 December 2012, deposit made to Shenyang Evening News pursuant to the exclusive advertising agreement between the Group and Shenyang Evening News was RMB10,000,000. The Group had also made prepayment of RMB33,780,000 to Shenyang Evening News under the terms of the exclusive advertising agreement. The exclusive advertising agreement between the Group and Shenyang Evening News was terminated on 26 July 2011. The directors considered the recoverability of the prepayment and deposit and the probable outcome of the pending litigation with Shenyang Evening News, and determined full provision of these amounts for the year ended 31 December 2012.

(b) *Outdoor advertising projects*

Prepayments for outdoor advertising projects represent rental expenses prepaid by the Group to obtain the exclusive rights to lease advertising space of certain electronic displays and outdoor billboards for outdoor advertising projects. Pursuant to exclusive agreements signed, the commercial customers were contractually obligated to make delivery of certain advertising resources to the Group for the year ended 31 December 2013, to which they were unable to fulfill. After considering the legal advices from the Group's legal counsel and the probable utilisation of rental expenses for the operations of the outdoor advertising projects, the directors made impairment provisions for the aforementioned projects.

(c) *Yueyang City Intermediate People's Court*

On 17 February 2014 and on 28 April 2014, the Yueyang City Intermediate People's Court and Higher People's Court of Hunan Province respectively dismissed the appeal application by the Group against the enforcement orders issued by Yueyang City Intermediate People's Court. An application was lodged to the Supreme People's Court to dismiss the abovementioned enforcement judgements and to refund the improperly drawn amount of RMB22,000,000 to the Group.

The directors considered the above development, the recoverability of the receivables, and the probable outcome of the pending litigation and determined to make full provision for the amount of RMB22,000,000 for the period ended 30 June 2014.

(d) *Three metropolitan newspaper publishers*

As at 30 June 2014, prepayments, deposits and other receivables totaling RMB490,438,000 (31 December 2013: RMB490,438,000) were made by the Group to three metropolitan newspaper publishers, namely Southeast Express, Lifestyle Express, and Central Guizhou Morning Post. Pursuant to the exclusive cooperative agreements signed with these metropolitan newspaper publishers, the Group has to make initial deposits and periodic payments throughout the contract period in exchange for the exclusive advertising rights to sell advertising spaces of respective newspapers.

In view of the continuous decline in advertising revenue associated with the exclusive advertising rights over the years, the directors reviewed the Group's ability to recover the carrying amount of the prepayment for long term investments and deposits, current prepayments and receivables made to the metropolitan newspaper publishers and provided for an impairment provision of RMB345,741,000 as at 31 December 2013.

Prepayments and other receivables were measured at amortised cost and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. The Group has assessed the recoverability of these prepayments and other receivables and made no additional impairment provision during the period.

**7 Trade payables**

	<b>As at 30 June 2014 RMB'000 Unaudited</b>	<b>As at 31 December 2013 RMB'000 Audited</b>
Trade payables	<b><u>7,506</u></b>	<b><u>6,653</u></b>

Payment terms granted by suppliers are mainly on cash on delivery and on credit. The credit periods range from 30 days to 365 days after end of the month in which the relevant purchases occurred.



The aging analysis of the trade payables based on the invoice date is as follows:

	As at 30 June 2014 <i>RMB'000</i> Unaudited	As at 31 December 2013 <i>RMB'000</i> Audited
1 – 30 days	1,991	2,533
31 – 90 days	1,244	769
Over 90 days	4,271	3,351
	<u>7,506</u>	<u>6,653</u>

The carrying amounts of the Group's trade payables are all denominated in RMB.

## 8 Other income and other (losses)/gain

	Six months ended 30 June 2014 <i>RMB'000</i> Unaudited	Six months ended 30 June 2013 <i>RMB'000</i> Unaudited
<b>Other income:</b>		
Sale of newsprint papers	385	2,370
Sale of scrap material	62	223
Government grants	2,570	–
Sundry income	136	155
	<u>3,153</u>	<u>2,748</u>
<b>Other (losses)/gain:</b>		
Gain on disposal of interest in Yunnan Handing Investment	–	33,664
Loss on disposal of subsidiaries	(212)	–
Provision for administrative penalty on foreign exchange	(11,580)	–
	<u>(11,792)</u>	<u>33,664</u>

## 9 Expenses by nature

	Six months ended 30 June 2014 <i>RMB'000</i> Unaudited	Six months ended 30 June 2013 <i>RMB'000</i> Unaudited
Auditors' remuneration	1,177	1,227
Cost of newspaper advertising		
– Media costs	51,995	89,969
Cost of marketing and promotion services	6,814	5,845
Cost of online services	1,059	2,988
Cost of television and radio advertising		
– Media costs	697	3,844
Cost of distribution management, consulting and printing services:		
– Raw material	1,264	7,928
– Media costs	1,263	1,135
– Other costs	1,073	1,061
Depreciation	5,119	4,889
Amortisation	2,302	11,141
Operating lease charges in respect of land and buildings	2,517	3,028
Net (gain)/loss on disposal of property, plant and equipment	(67)	149
(Reversal of)/provision for impairment on trade receivables ( <i>Note 5</i> )	(774)	31,421
Provision for impairment of other receivables	22,000	–
Loss on disposal of assets held for sale	214	–
Net foreign exchange (gain)/loss	(50)	185
Employee benefit expenses (including directors' emoluments)	36,517	35,280
Business tax	928	4,159

**10 Finance income/(costs) – net**

	<b>Six months ended 30 June 2014 <i>RMB'000</i> Unaudited</b>	Six months ended 30 June 2013 <i>RMB'000</i> Unaudited
Finance income:		
– Interest income on short-term bank deposits	741	94
Finance costs:		
– Interest expense on bank borrowings	–	(1,601)
Finance income/(costs) – net	<u>741</u>	<u>(1,507)</u>

There was no borrowing made by the Group as at 30 June 2014 (31 December 2013: Nil). The Group has the following undrawn borrowing facilities:

	<b>As at 30 June 2014 <i>RMB'000</i> Unaudited</b>	As at 31 December 2013 <i>RMB'000</i> Audited
Floating rate:		
– expiring within one year	<u>55,000</u>	<u>55,000</u>

## 11 Income tax expense

	<b>Six months ended 30 June 2014 RMB'000 Unaudited</b>	Six months ended 30 June 2013 RMB'000 Unaudited
Current income tax		
Mainland China Corporate Income Tax ("CIT")		
– Current tax	2,686	13,053
– Under provision in prior years	–	859
	<u>2,686</u>	<u>13,912</u>
Deferred income tax	<u>(523)</u>	<u>(1,309)</u>
	<u><b>2,163</b></u>	<u><b>12,603</b></u>

## 12 Loss per share

### (a) Basic

Basic loss per share for the periods ended 30 June 2014 and 2013 are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the periods.

	<b>Six months ended 30 June 2014 Unaudited</b>	Six months ended 30 June 2013 Unaudited
Loss attributable to equity holders of the Company (RMB'000)	<u>(68,270)</u>	<u>(60,849)</u>
Weighted average number of shares in issue (thousands)	<u>839,942</u>	<u>839,942</u>
Basic loss per share (RMB per share)	<u><b>(0.0813)</b></u>	<u><b>(0.0724)</b></u>

**(b) Diluted**

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2014, the Company's share options issued under the pre-IPO share option was the sole category of dilutive potential ordinary shares where the effect of the assumed conversion of these potential ordinary shares outstanding during the period was anti-dilutive (30 June 2013: same).

**13 Dividend**

No dividend has been declared by the Company since its incorporation.

**14 Subsequent events**

- (a) On 21 July 2014, a subsidiary of the Group received a letter of administrative penalty decision (Min Hui Fa No. [2014] 5 (閩匯罰[2014]5號)) issued by Fujian Province Branch of the State Administration of Foreign Exchange to impose a fine of RMB11,580,000 on that subsidiary in relation to certain of its foreign exchange settlement transactions.
- (b) The Group obtained a renewal of banking facilities amounting to RMB55,000,000 in August 2014. The banking facilities were secured by the personal guarantee of Mr. Chen Zhi, director of the Group, and the properties owned by Mr. Chen Zhi and his wife.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry review

In the first half of 2014, following the implementation of various government measures to mildly stimulate the economy, to maintain a stable growth and to support the real economy, the Chinese economy entered a relatively stable period of restructuring and targeted controls amid slowing growth and downward pressure. However, the tightened credit has caused investment-oriented industries such as real estate to recover at a rather sluggish pace. As for the advertising industry, its development is highly susceptible to the overall atmosphere of the economy, the consumption sentiment of the general public and the investment appetite. According to the most recent *China Advertising Market Review for the First Half of 2014* published by the newspaper branch of the prestigious China Advertising Association and CVSC – TNS Research (CTR), the Chinese advertising market (including outdoor video media and Internet advertising) grew by 4.1% during the first half of the 2014. The traditional advertising sector recorded a slower growth of 0.9%, while outdoor video media advertising, Internet advertising and mobile advertising have made greater contribution to the general market. Specifically, for the first six months of 2014, the segments of television (TV) advertising, radio advertising and outdoor advertising grew by 1.9%, 13.1% and 7.5%, respectively, while newspaper advertising and magazine advertising recorded declines of 13.1% and 7.5%, respectively. The largest drop was in the growth of newspaper advertising.

These figures clearly indicated that in the first half of 2014, traditional media advertising growth was still sluggish. Newspaper advertising continued to be on decline with decreased spending. In the face of the substantial shrinkage of the general traditional print media market, the Group's newspaper advertising agency business, which was still the Group's largest source of revenue, continued to be hard hit and to face market challenges.

## **Business review**

The slowdown in the Chinese economic development and the increase in operating pressure for certain industries have impacted the advertising spending of the respective industries, thereby posing challenges for the operating environment of the Group in the first half of 2014. As online new media has continued to substitute and replace print media, combined with shrinking advertising budgets of certain industries such as real estate, the Group's advertising revenue from newspaper advertising, online services, total marketing and TV advertising have dropped. For the six-month period ended 30 June 2014 (the "Period"), the Group recorded revenue from core businesses of approximately RMB92.2 million, representing a decline of 35.9% compared to the corresponding period in 2013. Gross profit for the period was approximately RMB25.0 million, a slight improvement compared to the corresponding period in 2013. Gross profit margin was 27.1% (first half of 2013: 16.2%), which was mainly attributable to the improvement in the mode of cooperation between the Group and major newspaper publishers. Net loss after tax for the period amounted to approximately RMB70.1 million (first half of 2013: approximately RMB55.8 million), which was mainly attributable to the decrease in revenue as the overall Chinese economy grew slower than expected and the performance of the Group's principal business of print media advertising was adversely affected by the increasing threat from online new media, as well as slower than expected progress on the restructuring of the Group's online media service business.

In response to the increasing market challenges and the changing operating environment, the Group implemented stringent cost control by adjusting its business model and development approach with the goal of future development. The Group also streamlined its structure, better utilised its resources and further centralised resources and operation. With the identification and selection of reliable resource providers and partners in a timely manner, the Group is committed to train and develop a team of competent personnel who has expertise in new technologies and new media. The Group is also committed to the scaling-down of business segments which are not in line with its restructuring needs and future strategies. By doing this, the Group ensured that the resources required for development are supported by its key teams and markets. In addition, the Group, having analysed and reviewed its existing operations and the prevailing market condition, tried to seek a business model and a market segmentation strategy that are appropriate for its market position and can bring in new revenue. The Group further improved and refined its services and products based on the change in preference of and interactions with its clients. The Group took advantage of its established clientele and resource base from its years of development of the print media market and accurately identified the trends of market segmentation and innovation, in order to cement existing relationships and be well-prepared to improve its operations and to grasp any market opportunities that may arise.

## **Consolidating client base and expanding into new markets with innovative services**

The Group strives to maintain a stable and extensive client base of advertisers. To this end, it provides tailored advertising services for clients from sectors such as real estate, finance, tourism, catering, lifestyle products, consumer products, 3C (computer, communication and consumer products), telecommunications, home appliance retailing, automotive, home construction materials, healthcare and medicine, education, and human resources, as well as marketing and promotion services for real estate clients.

Investment sentiment has not fully revived in the first half of the year owing to the slower-than-expected growth of the overall Chinese economy and, in particular, the credit tightening of the real estate industry. Under such circumstances, the Group's traditional advertising business was unavoidably affected. Nevertheless, thanks to the operational resources accumulated and the healthy relationships with clients established over the years, the Group managed to maintain a stable clientele in the period under review, despite the fact that advertisers have placed less reliance on newspaper advertising. Moreover, the Group is committed to improving its service mode by tracking and analysing consumption behaviour of the readers, with an aim to expand its clientele with innovative advertising solutions encompassing new technologies and new media. During the period under review, the Group's business restructuring is at a stage of adjustment and development, and is aimed at making contributions to the Group's future business.

### **Newspaper advertising**

In recent years, the exponential growth of new media advertising and web-based mobile advertising channels has diminished advertising spending and volume on traditional print media. Despite the minimal changes in the Group's clientele for traditional print media, traditional media advertising segment saw a drop in revenue as it suffered from the competition from the new media and the drop in spending. Furthermore, in order to prepare itself for the rapid market changes, the Group has been establishing a platform to integrate its traditional print media and new media businesses. As the initiative is currently at its investment stage and the new technology is being tested online, revenue contribution for the period was limited. As a result of the above factors, the Group recorded revenue from newspaper advertising for the Period of RMB68.3 million, down by 18.2% period-on-period. Revenue from marketing and promotion project for real estate agency for the Period was RMB11.3 million, down by 63.9% period-on-period. Despite the drop in revenue, the newspaper advertising business remained one of the Group's principal businesses and accounted for approximately 74.1% of the Group's total revenue.



To mitigate the Group's operating pressure and risks amid the downward trends of the domestic newspaper and magazine advertising industry, and to strengthen the comprehensive collaborative business model, the Group actively and effectively negotiated with some comprehensive collaborative media partners during the period under review to adjust the business cooperation model to a cost-based system that is based on the reporting, editing and office expenses of the comprehensive collaborative media partners, so that the Group could cease paying operating costs to these comprehensive collaborative media partners in accordance with the minimum guaranteed payment commitment. Under the new model, the Group will bear the newspaper printing costs, newsprint paper costs, and distribution costs of its partners, while enjoying advertising and circulation income from those operations. As of 30 June 2014, the Group had eight media partners, including *Southeast Express*, *Lifestyle Express*, *Modern Life Daily*, *Southeast Business*, *Central Guizhou Morning Post*, *Xiamen Evening News*, *City Lifestyle Weekly*, and a magazine, *TV Friends*. The Group's operations span more than 7 second- and third-tier cities across 6 provinces in China.

On the other hand, Shenyang Media Corporation unilaterally terminated its cooperation contract with the Group on 26 July 2011, and this has had an impact on the Group's business. On 5 May 2014, the Group received the latest civil judgment issued by the the Shenyang Intermediate People's Court in Liaoning Province in respect of the legal proceedings with Shenyang Media Corporation. Liaoning Aohai, a subsidiary of the Group, was ordered to pay to Shenyang Media Corporation advertising agency fees in the sum of RMB17,250,398 within 10 days after the judgment becomes effective. Other claims of Shenyang Media Corporation and counter-claims of Liaoning AoHai were dismissed. Liaoning AoHai has been advised by its PRC legal advisers that, although the judgement was a retrial of the judgement of the first trial of the case, the judgment still contains errors in fact findings which ought to be legally rectified by the Higher People's Court of Liaoning Province during the second trial of the case. Accordingly, Liaoning AoHai has filed the appeal within 15 days of receipt of the judgment. Further developments of this case will be disclosed as and when appropriate.

## Online services

In the first half of 2014, the Internet development in China continued to flourish and the daily usage of mobile Internet continued to rise. To capture the strong market demand brought on by such development, the Group actively devoted resources to integrate the technology of its traditional business and the new technologies. It also sought to restructure its business to focus on the development of mobile Internet and the related projects are still in an investment stage. Furthermore, the Group has sped up the process of integrating the existing online platform and the relevant news websites with an aim to ultimately shift to mobile Internet channels. The Group's online services consist mainly of Cloud Call technology, Duk, DNKB, Life News and Fangke Web. The Group has continued to establish its new Internet media platforms with technologies and channels that are complementary in terms of resources and technological standards.

For the period under review, revenue from this business fell by 61.7% period-on-period to RMB1.8 million, representing 1.9% of the Group's total revenue. Gross profit was RMB0.7 million, down by 56.6% as compared to the corresponding period in 2013, which was mainly due to the intensifying competition within the online services and digital media industry and the fact that the Group's Internet media platform was still in formation stage. In view of the promising prospects of online media, the Group will continue its efforts in building a comprehensive multi-media platform and in expanding into the mobile network business, so as to capture greater market share.

During the period under review, Duk had online cooperative publishing rights with over 300 publishers, 860 magazine publishers and 5,000 magazines, as well as digital cooperative publishing rights with 17 metropolitan daily, evening, and commercial newspapers, thereby becoming one of the largest digital media publishing platforms in China. Duk mainly generated its income from three sections, namely online advertisement, paid subscriptions and e-magazine publishing. The Group has fully implemented paid subscriptions and a profit-sharing system with licensors, and will gradually cut the proportion of advertising space of the free-reading pages so as to enhance reading experience for paid subscribers. However, paid subscriptions resulted in a decrease in the number of active members of the website, and left the Group with no clear advantage in the online service sector, leading to lowered market share. For e-magazine publishing, an adjustment period is needed for further development in the Group's technical support capabilities and for the restructuring of the service team in order to keep up with the rapidly-developing mobile Internet market.

As a part of the restructuring process, the Group has sped up launches of new and integrated versions of Duk, which will become an essential part of the Internet cloud platform for the Group. By cooperating with third-party digital platforms, the Group aims to establish marketing channels for institutional users. Meanwhile, based on the concept of city directories, Duk will develop into an information and servicing webpage to solicit business cooperation and expand its readership base. With new columns about major events and promotional offers, the enhanced marketing features provide the Group with favourable conditions to establish a one-on-one model of service and marketing with its target readers and foster cooperation with its effective marketing services. Furthermore, it will offer more highly readable leisure and entertainment contents to raise its value. Duk will undergo a revamp in order to establish and enlarge a stable readership base.

The Group has also actively enhanced the technological capabilities of its existing products in adherence to the latest market development. During the period under review, DNKB launched its own mobile applications, which have been tested online, and took the number of its advertisers and operating revenue to new heights. With a clearer separation of the healthcare, travel, automobile and real estate sections, the links will be more user-friendly and will greatly enhance the value of DNKB, and will encourage interaction with netizens and readers. In addition, DNKB successfully rolled out a successful new marketing model with graphics, stories and videos tailored to events such as car shows.

Advertising on new media, such as mobile devices and the Internet, is developing swiftly. In order to expand its existing advertising business and to share the fruit of the booming development, in August 2012, the Group completed the acquisition of 34% of the issued shares in Skybroad International Limited, a company which developed the Voice over Internet Protocol (VoIP) based communications software known as “Cloud Call” (“Cloud Call/Cloud Call App”) for mobile devices and personal computers. The main feature of the system is to allow users to use 3G, wireless networks or the Internet for fixed line or mobile phone calls to China and Hong Kong from China and around the world without paying roaming or long distance telephone charges. With a clear target users and outstanding features, Cloud Call has gained market recognition and has started to penetrate the market and generate revenue for the Group. However, the operating revenue of Cloud Call has yet to reach the targeted level as the development has been hampered by the increasing market competition resulted from the remarkable growth of other operators of mobile services. To counter such difficulties, the Group has actively expanded its membership base by rolling out free download of Cloud Call, thereby boosting the number of registered members to over 4 million and the number of address book entries uploaded to over 400 million. In view of the promising prospects of the development of Cloud Call, the Group will continue with the relevant technological upgrade so as to continue to tap into the enormous market potential.

Fangke Web (www.fangke.cc) operated by Fujian Fangke Network Technology Corporation Limited, a non wholly-owned subsidiary of the Group, remained one of the development focus of the Group's online business. Fangke Web has been actively promoting new and effective business marketing models for the real estate industry and continues to focus on resource integration, brand-building, and research and development of electronic business platforms for the real estate sector. It offers comprehensive industry information, integrated marketing services, and business applications to players in the real estate sector. Key features of Fangke Web include a real estate information portal, an online property selling system, an online agency system, an agency software named "Agency Finder" and management software for property selling.

In terms of online services and mobile network, the Group has sought to build up a comprehensive product portfolio with continuous business integration and technological developments. The Group has now developed several user-end applications and separate products, collected and classified numerous databases, rolled out practical products, developed an integrated service and sales business model based on the original print media sales system, and established the necessary technological and product support for the development of ShiFang's cloud computing platform.

### **Marketing, distribution management, consulting and printing services**

Due to the relatively narrow client base of the Group's marketing, distribution management, consulting and printing services and the impact of the emerging new media on the paper-based media, revenue from this segment for the period under review fell by 61.4% to RMB20.4 million, and its share in the Group's total revenue also dropped to 22.1%.

The Group has entered into exclusive cooperation contracts with some of its newspaper partners for the sale of advertising space and the provision of integrated services. The Group also offers certain ancillary services, including printing, distribution management, consulting and marketing advice to its newspaper partners. The Group is committed to maintaining close relationships with its newspaper partners, helping publications maintain their excellent printing quality, and to increase revenue from the provision of integrated print media services to those newspaper partners. As to distribution and management services, the Group continued to provide comprehensive services to *Southeast Express* and *Lifestyle Express*. In terms of printing services, the Group's three factories located in Fuzhou, Kunming and Guizhou operated smoothly and printed *Southeast Express*, *Lifestyle Express* and *Central Guizhou Morning Post*. Particularly, in addition to the printing of *Southeast Express*, the Fuzhou factory also continued to print *China Securities Journal* and *Shanghai Securities News*. With its persistent and stringent quality control on the printing of its publications, the Group ensured the quality and attractiveness of its advertisements and publications, thus helping the Group maintain strategic and close cooperative relationships with its media partners.

In addition, by leveraging its own resources and the established technologies developed by Fangke Web, the Group continued to deepen its cooperation with clients by offering professional total marketing and planning solutions with its property marketing planning services. During the Period, planning fees and commissions from the Group's planning and marketing services provided to real estate projects, together with the revenue from Fangke Web, amounted to RMB12.7 million.

Furthermore, through its subsidiary, ShiFang Healthcare Technology Corporation Limited, the Group has established an unparalleled integrated information service platform that includes websites, call centre platforms and appointment registration systems for the provision of comprehensive medical and healthcare information in China. Meanwhile, the Group continued its strategic cooperation with the experts from public hospitals and served the end-market with various products such as healthcare information advisory, consultancy services, and newspaper healthcare column features, thereby developing interaction between the experts and consumers such as readers and members. During the period under review, the Group continued to establish strategic cooperation with the experts from public hospitals in order to provide comprehensive medical and healthcare information. The development of this business was restrained during the Period by the national regulations and policies on pharmaceutical and medical advertisements and promotions. The Group is now actively restructuring this segment accordingly.

### **Television and radio advertising**

The Group's television and radio advertising revenue for the first half of 2014 amounted to RMB1.7 million, a period-on-period decrease of 41.4%, accounting for 1.9% of the Group's total revenue.

The Group's television advertising business mainly operates as an extended auxiliary service to newspaper partners as a way for them to extend their coverages to a medium beyond newspaper. This business principally offers diversified television advertising solutions to the Group's real estate and automobile clients. During the period under review, the Group maintained an amicable cooperative relationship with Nanning Television Station in Guangxi Province and broadcast advertisements for home-improvement and building materials companies in advertising time slots on four of the station's channels. The Group is also actively exploring opportunities for cooperation with other television stations in order to expand this business, thus further expanding the sources of income from the television advertising business and eventually establishing the Group as a major television media operator and a media resource provider.

## **FINANCIAL REVIEW**

### **Revenue**

Total revenue of the Group decreased by 35.9% from RMB143.8 million for the six months ended 30 June 2013 to RMB92.2 million for the six months ended 30 June 2014, primarily because domestic economic growth slowed down due to a variety of factors, thereby posing downward pressure on the total revenue. Furthermore, due to the restructuring of the real estate industry, the proliferation of online new media, as well as the change in clients' advertising strategy and the restructuring of the advertising market, revenue from newspaper advertising decreased from RMB83.5 million for the six months ended 30 June 2013 to RMB68.3 million for the six months ended 30 June 2014 and revenue from marketing, distribution management, consulting and printing services, and outdoor advertising services and activities shrank from RMB52.8 million for the six months ended 30 June 2013 to RMB20.4 million for the six months ended 30 June 2014.

### **Gross profit and gross profit margin**

Gross profit increased by 7.3% from RMB23.3 million for the six months ended 30 June 2013 to RMB25.0 million for the six months ended 30 June 2014. Gross profit margin increased from 16.2% for the six months ended 30 June 2013 to 27.1% for the six months ended 30 June 2014, mainly attributable to the adjustment to the cooperation model with major newspaper publishers.

### **Other income**

Other income increased by 18.5% from RMB2.7 million for the six months ended 30 June 2013 to RMB3.2 million for the six months ended 30 June 2014, primarily as a result of an increase in the income from government grants.

### **Other losses**

Other losses totaling RMB11.8 million are recorded for the six months ended 30 June 2014, which include the provision for administrative penalty on foreign exchange of RMB11.6 million imposed by Fujian Province Branch of the State Administration of Foreign Exchange.

### **Selling and marketing expenses**

Selling and marketing expenses increased by 5.3% from RMB15.2 million for the six months ended 30 June 2013 to RMB16.0 million for the six months ended 30 June 2014 mainly because of the slight increase in the wages of marketing staff. Selling and marketing expenses as a percentage of revenue increased from 10.6% for the six months ended 30 June 2013 to 17.4% for the six months ended 30 June 2014 due to the drop in revenue.



## General and administrative expenses

General and administrative expenses decreased by 21.1% from RMB86.4 million for the six months ended 30 June 2013 to RMB68.2 million for the six months ended 30 June 2014, mainly because of the decrease in amortisation of intangible assets of RMB8.8 million and decrease in provision for bad debts of trade receivables of RMB32.2 million offset by full provision for impairment in respect of the litigation with Yueyanglin Paper totaling RMB22.0 million during the period.

## Income tax expense

Income tax expenses decreased by 82.5% from RMB12.6 million for the six months ended 30 June 2013 to RMB2.2 million for the six months ended 30 June 2014 as a result of a decrease of taxable income for the period.

## Results for the period

The Group recorded a loss of RMB70.1 million for the six months ended 30 June 2014. This was mainly attributable to the 35.9% decrease in revenue, the full provision for impairment in respect of the litigation with Yueyanglin Paper of RMB22.0 million and the provision for the administrative penalty on foreign exchange of RMB11.6 million imposed by Fujian Province Branch of the State Administration of Foreign Exchange.

## Liquidity and capital resources

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Net cash used in operating activities</b>	<b>(30,994)</b>	<b>(23,788)</b>
<b>Net cash generated from investing activities</b>	<b>13,138</b>	<b>102,067</b>
<b>Net cash used in financing activities</b>	<b>–</b>	<b>(38,848)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17,856)</b>	<b>39,431</b>
Cash and cash equivalents at beginning of the period	<b>53,911</b>	<b>53,435</b>
<b>Cash and cash equivalents at end of the period</b>	<b>36,055</b>	<b>92,866</b>

### Cash flow used in operating activities

For the six months ended 30 June 2014, net cash used in operating activities amounted to RMB31.0 million, this is primarily attributable to the loss for the period amounting to RMB70.1 million.

### Cash flow generated from investing activities

For the six months ended 30 June 2014, net cash generated from investing activities amounted to RMB13.1 million, resulting primarily from cash released from short-term bank deposits of RMB20.6 million offset by deposit paid for acquisition of a property of RMB6.7 million.

### Capital expenditures

The Group's business generally does not require significant ongoing capital expenditures. The Group incurs capital expenditures mainly for the purchase of printing machinery and office equipment. The Group's capital expenditures were RMB1.2 million and RMB2.7 million for the six months ended 30 June 2014 and 30 June 2013, respectively.

### Trade receivables – net

The following table sets out the aging analysis of the Group's trade receivables at the dates indicated:

	<b>As at 30 June 2014 RMB'000 Unaudited</b>	<b>As at 31 December 2013 RMB'000 Audited</b>
Aging analysis of trade receivables		
1 – 30 days	<b>14,036</b>	17,543
31 – 60 days	<b>9,030</b>	8,170
61 – 90 days	<b>7,694</b>	5,535
91– 365 days	<b>30,811</b>	30,471
Over 1 year	<b>126,927</b>	164,645
	<b>188,498</b>	226,364
<i>Less: provision for impairment on trade receivables</i>	<b>(131,291)</b>	(179,040)
Trade receivables – net	<b>57,207</b>	47,324



The Group's trade receivables increased by 20.9%, from RMB47.3 million as at 31 December 2013 to RMB57.2 million as at 30 June 2014. Such increase was mainly attributable to the delay in customers' payment caused by the tightened capital supply as the government adopted a prudent monetary policy in view of the slowing economic growth.

### Trade payables

	<b>As at 30 June 2014 RMB'000 Unaudited</b>	As at 31 December 2013 RMB'000 Audited
Aging analysis of trade payables		
1 – 30 days	<b>1,991</b>	2,533
31 – 90 days	<b>1,244</b>	769
Over 90 days	<b>4,271</b>	3,351
	<b><u>7,506</u></b>	<u>6,653</u>

The Group's trade payables increased by 11.9%, from RMB6.7 million as at 31 December 2013 to RMB7.5 million as at 30 June 2014, this was primarily attributable to extended payment terms for certain media partners.

### Indebtedness

Indebtedness consists of obligations to lenders, including commercial banks and certain related parties and companies.

There was no borrowings made by the Group as at 30 June 2014. The Group has undrawn borrowing facilities amounted to RMB55.0 million as at 30 June 2014 and 31 December 2013, respectively.

## Capital commitments

The future aggregate payments under non-cancellable contracts are as follows:

	<b>As at 30 June 2014 <i>RMB'000</i> Unaudited</b>	As at 31 December 2013 <i>RMB'000</i> Audited
Not later than 1 year	<b>103,380</b>	119,910
Later than 1 year and not later than 5 years	<b>250,340</b>	259,240
Later than 5 years	<b>863,610</b>	891,040
	<b><u>1,217,330</u></b>	<u>1,270,190</u>

## Contingent liabilities

The Group follows the guidance of IAS37 “Provisions, Contingent Liabilities and Contingent Assets” to determine when should contingent liabilities be recognised, which requires significant judgement.

A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group’s control, or when it is not possible to calculate the amount. Realisation of any contingent liabilities not currently recognised or disclosed could have a material impact on the Group’s financial position.

The Group reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered are the nature of the litigation, legal processes and potential level of damages, the opinions and views of the legal counsel, and the management’s intentions to respond to the litigations. To the extent the estimates and judgements do not reflect the actual outcome, this could materially affect the results for the period and the financial position.

**(a) Fine imposed by Fujian Province Branch of the State Administration of Foreign Exchange**

On 15 April 2014, a subsidiary of the Group received a letter of administrative penalty notice (Min Hui Guao No. [2014] 2 (閩匯告[2014]2號)) issued by Fujian Province Branch of the State Administration of Foreign Exchange to impose a fine of RMB11,580,000 on that subsidiary in relation to certain of its foreign exchange settlement transactions.

On 21 April 2014, the subsidiary applied for hearing which was subsequently accepted by Fujian Province Branch of the State Administration of Foreign Exchange on 25 April 2014.

On 14 July 2014, the subsidiary received the opinion of hearing (聽證意見書[2014]1號) issued by Fujian Province Branch of the State Administration of Foreign Exchange. The hearing officers advised Fujian Province Branch of the State Administration of Foreign Exchange to maintain the proposed penalty in the letter of administrative penalty notice (Min Hui Guao No. [2014] 2 (閩匯告[2014]2號)).

On 21 July 2014, the subsidiary received a letter of administrative penalty decision (Min Hui Fa No. [2014] 5 (閩匯罰[2014]5號)) issued by Fujian Province Branch of the State Administration of Foreign Exchange to impose a fine of RMB11,580,000 on it.

The subsidiary shall remit the fine of RMB11,580,000 to a designated account for fines and penalties within 15 days from the date of receiving the letter of administrative penalty decision. In the event of non-payment of fine when overdue, Fujian Province Branch of the State Administration of Foreign Exchange shall impose an additional daily penalty of 3% of the amount of such, or apply to the People's Court for enforcement.

The subsidiary will apply to the State Administration of Foreign Exchange within the specified time period for an administrative review as the management considers the activity of the subsidiary does not constitute illegal settlement of foreign exchange based on the advice from the Company's PRC legal advisor.

Notwithstanding the intention to apply for an administrative review, and to the best knowledge, information and belief of the directors after reviewing these foreign exchange settlement transactions and the fine imposed by the Fujian Province Branch of the State Administration of Foreign Exchange, the management decides to recognise a provision of RMB11,580,000 in respect of this penalty charge, and has been included in this condensed consolidated interim financial information.

**(b) Lawsuits between the Group and Shenyang Media Corporation**

On 26 July 2011, Shenyang Media Corporation unilaterally terminated the Comprehensive Cooperation Contract with the Group.

The Group received a summons issued by the Shenyang Intermediate People's Court in Liaoning Province (the "Shenyang Intermediate People's Court") on 25 October 2011, where Shenyang Media Corporation claimed the Group for, among others, a total sum of RMB17,328,767 being the outstanding advertising fees payable by the Group to Shenyang Media Corporation (the "Case 1").

On 22 December 2011, the Group filed summons of claim to the Higher People's Court of Liaoning Province (the "Higher People's Court") against Shenyang Daily Agency and Shenyang Media Corporation, where the Group claimed Shenyang Daily Agency and Shenyang Media Corporation for, among others, a total sum of RMB105,579,352, being the outstanding advertising fees payable by Shenyang Daily Agency and Shenyang Media Corporation (the "Case 2") to the Group.

On 8 March 2012, the Group received a civil judgment issued by the Higher People's Court in relation to Case 2, pursuant to which the Higher People's Court decided to refer the case back to the Shenyang Intermediate People's Court. As advised by the PRC legal counsel, the Group has lodged an appeal to the Supreme People's Court of the PRC (the "Supreme People's Court") on 13 March 2012 to request the Supreme People's Court to overrule the Higher People's Court's decision.

On 30 August 2012, the Group received a judgment of first instance awarded by the Shenyang Intermediate People's Court in relation to Case 1. It was ruled that the Group shall pay Shenyang Media Corporation RMB17,250,398 as advertising fees together with court fees within 10 days after the judgment becomes effective. On 6 September 2012, the Group has lodged an appeal to the Higher People's Court to seek to revoke the judgment of first instance in due course.

On 27 December 2012, the Higher People's Court ordered the judgement of first instance issued by the Shenyang Intermediate People's Court on 30 August 2012 be dismissed and a retrial of the case at the Shenyang Intermediate People's Court was ruled ("Case 1"). On 25 June 2013, the Shenyang Intermediate People's Court commenced the retrial of the case.

On 5 December 2013, a civil judgement was issued by the Supreme People's Court in relation to Case 2. It is ruled that the civil judgement dated 8 March 2012 by the Higher People's Court should be dismissed, and that the case shall be handled by the Higher People's Court. The management believes that it is not probable that this litigation would result in any material outflow of economic benefits from the Group.

On 5 May 2014, a civil judgement was issued by Shenyang Intermediate People's Court. It was ruled that the Company shall pay to Shenyang Media Corporation the advertising agency fee of RMB17,250,398. Being advised by PRC legal counsel, the Company has filed an appeal against the civil judgement. With reference to the legal opinion, management believes that it is not probable that this litigation would result in a material outflow of economic benefits from the Group.

The Group is currently waiting for further instructions from the courts and will notify the shareholders of any progress in the litigation in a timely manner.

Nevertheless, the management takes into consideration the economic reasons relating to Shenyang Daily Agency's and Shenyang Media Corporation's financial and liquidity difficulties and has made provision for loss or provision for impairment of the RMB43,780,000 deposit and prepayment paid to Shenyang Media Corporation as at 31 December 2012.

**(c) Enforcement order issued by Yueyang City Intermediate People's Court against the Group**

On 4 June 2012, Yueyanglin Paper Co., Ltd. has filed a civil claim against Southeast Express and Lifestyle Express in respect of an outstanding payment of RMB31,859,018 relating to certain sales made in prior years.

On 10 July 2012, the Yueyang City Intermediate People's Court made a civil judgement, which ruled that Southeast Express and Lifestyle Express shall pay Yueyanglin Paper Co., Ltd. the aforesaid amount.

On 26 October 2012, the Yueyang City Intermediate People’s Court ruled that in view of intentional transfer of assets among Southeast Express, Lifestyle Express, and the Group, the court freezes the cash assets of the Group’s wholly owned subsidiaries, including Fuzhou Aohai Advertisement Co., Ltd. (“Fuzhou AoHai”) and Kunming AoHai Advertising Co., Ltd. (“Kunming AoHai”) up to a maximum value of RMB31,859,018 (“Freezing Order”).

On 8 November 2012, the Group appealed to the Yueyang City Intermediate People’s Court against the Freezing Order. The Freezing Order was revoked on 30 January 2013. Yueyanglin Paper Co., Ltd. has subsequently lodged an appeal to the Higher People’s Court of Hunan Province against this decision, but on 22 August 2013, the Higher People’s Court dismissed the appeal application by Yueyanglin Paper Co., Ltd.

However, the Yueyang City Intermediate People’s Court issued two enforcement judgements in favour of Yueyanglin Paper Co., Ltd. on 22 September 2013. The court judged to draw cash deposits of RMB22,000,000 out of the bank accounts of Fuzhou AoHai and to freeze advertising fee of up to RMB14,000,000 expected to be paid by Fuzhou AoHai and Kunming AoHai to Southeast Express and Lifestyle Express. The Group has subsequently appealed to the Yueyang City Intermediate People’s Court against the court’s decision together with other economic losses and damages on the reputation of the Group.

On 17 February 2014, the Yueyang City Intermediate People’s Court dismissed the appeal application by the Group. As advised by the PRC legal counsel, the Group lodged an appeal to the Higher People’s Court of Hunan Province (the “Higher People’s Court”) against the abovementioned decision of the Yueyang City Intermediate People’s Court. An application is lodged to the Higher People’s Court to dismiss the abovementioned enforcement judgements and refund the improperly drawn amount of RMB22,000,000 to the Group.

On 28 April 2014, the Higher People’s Court of Hunan Province dismissed the appeal application by the Group. As advised by the PRC legal counsel, the Group lodged an appeal to the Supreme People’s Court against the abovementioned decision of the Higher People’s Court. An application was lodged to the Supreme People’s Court to dismiss the abovementioned enforcement judgements and refund the improperly drawn amount of RMB22,000,000 to the Group.

Taking into account of the latest developments of the case, the directors considered to recognised full impairment provision of RMB22,000,000 in respect of this legal claim, which has been included in this condensed consolidated interim financial information.

## **Human resources**

As at 30 June 2014, the Group had approximately 827 full-time employees. Total staff costs including directors' remuneration for the six months ended 30 June 2014 was approximately RMB36.5 million (For the six months ended 30 June 2013: approximately RMB35.3 million). The Group offers competitive remuneration packages to its employees that include salaries, bonuses and share options to qualified employees.

The compensation of the directors is evaluated by the remuneration committee, which makes recommendations to the Board. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of the Group's senior management.

The Company operates an employee share option scheme, the purpose of which is to provide incentive or reward to eligible persons who have provided services to the Company for their contribution and continuous efforts to promote the interests of the Company, and for such other purposes as the Board may approve from time to time.

## **Prospects**

Looking forward to the second half of the year, the rebound of the Chinese macro economy looks bright as evidenced by the recently announced Purchasing Managers Index (PMI) of China in July that recorded the largest growth since the beginning of the year. As such, the Group is cautiously optimistic about the future economy, which is expected to be stable with some expansion. On the other hand, the rapid contraction of the traditional media advertising market reveals that the media reform has reached a critical moment. The boundary between new and traditional media is breaking down, and the traditional media urgently needs to identify new forms and positions through reform. To accelerate structural reform in China, the government has been providing policy support and guidance to the Internet, new media and traditional media, as well as their integration with community platforms. The Group will reposition itself amid such trends, speed up its reforms, continue to strengthen its resource allocation, and shift its efforts to the market and clients of new media platforms in a strategic manner, in order to complete its transformation from traditional media marketing business to new media business.

With abundant market resources and well-established clientele accumulated all these years, a management team that is well-seasoned in handling transformation, as well as a technical team with solid technical and product research and development capability, the Group will accelerate the fusion of traditional media platforms and new network technologies so as to formulate a wide-reaching comprehensive media platform and business model which encompasses online and offline functions. The Group has now initially established a solid foundation and embarked on its transformation. Although there will be inevitable challenges along this transformation process, the Group will surmount these hurdles at full steam.

Furthermore, the Group's efforts in cost control and operation efficiency improvement is bearing fruit. Leveraging on its all-round strengths in terms of well-established brand, broad client base and cross-region and cross-media platforms, the Group is well positioned to accomplish its transformation. Though it may be time-consuming, the transformation that fit with the new development trend is essential for the Group's sustainable development.

In the long run, the gradual recovery of the Chinese macro economy, the persistent rise in Chinese consumption power, and maturing network technology will be conducive to the Group's development. The Group will spare no effort to establish ShiFang's all-round advertising network and accomplish comprehensive transformation in order to achieve its major goal of stabilising its operation and realising turnaround. While pushing forward its transformation and development, the Group will not cease to create long-term shareholders' value amid intense competition.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

## **CORPORATE GOVERNANCE CODE**

The Company recognises the importance and value of achieving high standards of corporate governance practices. The Board believes that good corporate governance is an essential element in maintaining and promoting shareholder value and investor confidence.

The Company has adopted the code provisions on Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, the Board considers the Company has complied with the code provisions as set out in the CG Code.



## **CODE PROVISION A.2.1**

Under code provision A.2.1 of the CG code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chen Zhi, who acts as the chairman and chief executive officer of the Company, is responsible in pioneering the Company's distinctive business model and undertaking the main decision-making role in the management of the Company's overall operations and overseeing the strategic development of the Group. The Board will meet regularly to consider and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that sufficient measures have been taken and Mr. Chen Zhi acting as the chairman and chief executive officer of the Company will not impair the balance of power and authority between the Board and the management.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company. Specific enquiries have been made to all the directors of the Company and all of them confirmed and declared that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2014 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Audit Committee has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the CG Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive directors of the Company, namely Mr. Wong Heung Ming, Henry, Mr. Zhou Chang Ren and Mr. Cai Jian Quan. Mr. Wong Heung Ming, Henry is the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the six months ended 30 June 2014 with the management of the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company has not redeemed any of its listed shares during the six months ended 30 June 2014. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the six months ended 30 June 2014.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the websites of the Company ([www.shifangholding.com](http://www.shifangholding.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). An interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available on the abovementioned websites in due course.

By order of the Board  
**ShiFang Holding Limited**  
**Chen Zhi**  
*Chairman*

Hong Kong, 27 August 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Chen Zhi (Chairman), Mr. Hong Pei Feng, Mr. Zhang Tie Zhu and Mr. Yu Shi Quan; the non-executive director of the Company are Mr. Wang Ping and Ms. Chen Min; the independent non-executive directors of the Company are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry and Mr. Cai Jian Quan.*